1973

1973

DOME MINES LIMITED

Report to Shareholders

For the Financial Year Ended December 31

1973

DOME MINES LIMITED

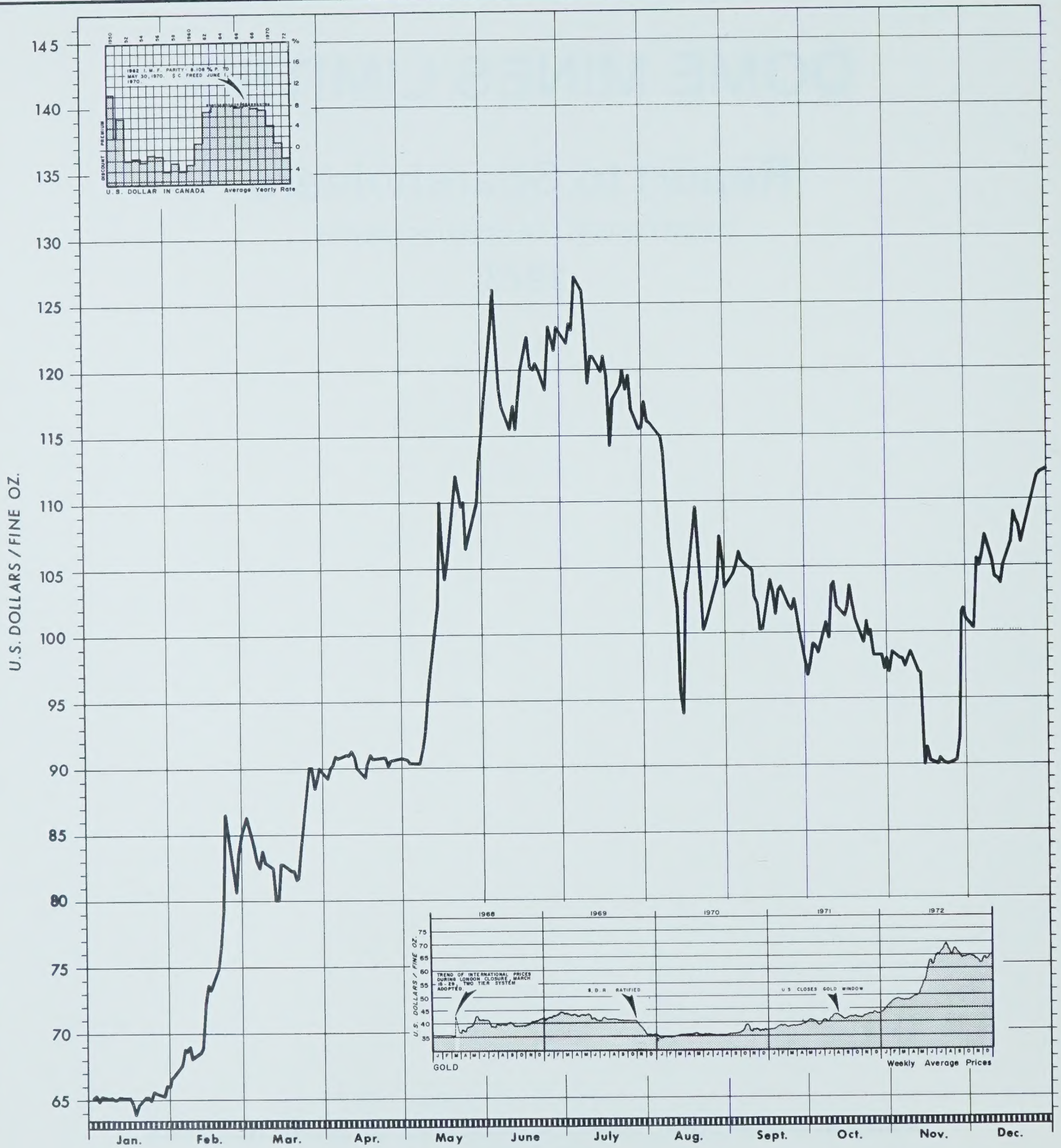
Report to Shareholders

For the Financial Year Ended December 31

1973

ANNUAL and SPECIAL GENERAL MEETING OF SHAREHOLDERS

will be held
at 10:30 o'clock a.m. (Toronto time)
Monday, April 29, 1974,
Library, Royal York Hotel,
TORONTO, ONTARIO



1973 DAILY GOLD PRICE

LONDON : 2nd Fixing

(IN U.S. DOLLARS)

DOME MINES LIMITED

Dome Mines Limited

(Incorporated under the laws of Canada)

LOCATION OF MINE AND HEAD OFFICE

South Porcupine, Ont. P0N 1H0
Canada

ADDRESS OF THE CHAIRMAN OF THE BOARD

40 Wall Street, New York, N.Y. 10005

ADDRESS OF THE PRESIDENT

365 Bay Street, Suite 600, Toronto, Ont. M5H 2V4

ADDRESS OF THE SECRETARY

Box 30, Toronto-Dominion Centre,
Toronto, Ont. M5K 1C1

REGISTRARS

Canada Permanent Trust Company
320 Bay Street, Toronto, Ont. M5H 2P6
Bankers Trust Company, 16 Wall Street, New York, N.Y. 10015

TRANSFER AGENTS

Crown Trust Company, 302 Bay Street, Toronto, Ont. M5H 2P4
The Bank of New York, 48 Wall Street, New York, N.Y. 10015

AUDITORS

Clarkson, Gordon & Co. – Toronto, Ont. M5K 1J7

SOUTH PORCUPINE OPERATIONS

Manager – Harry V. Pyke
General Superintendent – Robert J. Perry

EXPLORATION DEPARTMENT

G. S. Wallace Bruce
Vice-President Exploration
365 Bay Street, Suite 600, Toronto, Ont. M5H 2V4

GENERAL COUNSEL

Fasken & Calvin
Box 30, Toronto-Dominion Centre,
Toronto, Ont. M5K 1C1

DIRECTORS

Clifford W. Michel	New York, N.Y.
F. Warren Pershing	New York, N.Y.
A. Bruce Matthews	Toronto, Ont.
James B. Redpath	Toronto, Ont.
William F. James	Toronto, Ont.
William R. Biggs	Washington, D.C.
Allen T. Lambert	Toronto, Ont.
Charles P. Girdwood	Prescott, Ont.
Fraser M. Fell	Toronto, Ont.

OFFICERS

Clifford W. Michel
Chairman of the Board and Treasurer

James B. Redpath
President

Charles P. Girdwood
Vice-President

G. S. Wallace Bruce
Vice-President Exploration

Fraser M. Fell
Secretary

James E. Alexander
Assistant Secretary

John H. Hough
Assistant Secretary

Adele C. Pighi
Assistant Secretary

Edmund J. Andrecheck
Assistant Treasurer

Harry V. Pyke
Manager

Robert J. Perry
General Superintendent

It is recorded here that it is the intention of the present management to solicit proxies. The form of proxy and the information circular will accompany the Notice of Annual and Special General Meeting which is being mailed to all shareholders.

COMPARATIVE CONSOLIDATED FINANCIAL SUMMARY

	1973	1972
Bullion Revenue	$43,508,128	$25,513,842
Expenditures	$19,172,290	$15,521,283
Operating Profit	$20,927,192	$ 8,565,656
Exploration Expenses	$ 1,147,181	$ 937,365
Taxes (Provincial and Federal)	$ 9,795,000	$ 3,738,000
Net Income	$14,726,165	$ 7,271,229
Net Income per share	$7.56	$3.74
Working Capital — December 31	$37,325,124	$27,256,367
Dividends Declared	$ 3,017,335	$ 1,946,668
Dividends declared per share	$1.55	$1.00
Shares Issued	1,946,668	1,946,668
Number of Shareholders — December 31	6,206	5,673

REPORT OF THE DIRECTORS

of

Dome Mines Limited

(For the Financial Year Ended December 31, 1973)

Toronto, Ontario,
February 25, 1974.

To the Shareholders of
Dome Mines Limited:

On behalf of your Directors, the undersigned are pleased to submit their joint report covering the financial year ended December 31, 1973. This report includes the balance sheet and statements of income, earned surplus and changes in financial position which consolidate your Company's interests in its subsidiaries, Campbell Red Lake Mines Limited and Sigma Mines (Quebec) Limited, together with the Report of the Auditors thereon. The consolidated accounts also incorporate, for the first time, your Company's consolidated equity in the earnings of our affiliate, Dome Petroleum Limited.

Consolidated Net Income aggregated $14,726,165 or $7.56 per share, as compared with restated earnings of $7,271,229 or $3.74 per share in 1972. This Consolidated Income is the highest the Company has recorded since operations began in 1911. From these earnings total dividends of $1.55 were declared including a year-end extra of 50¢ per share, an increase of 55% over the declarations of the preceding year.

The increase in net income arises from two main sources, the most important of which is the continuing increase in the free market price of gold. Beginning the year at approximately $65 per ounce, it increased to a high of approximately $127 per ounce by mid-year and closed the year at approximately $112. The average price received per ounce for gold sales during the year was $97.33 as compared with $57.00 in 1972. While this volatility brings with it problems in the areas of operations, labour relations and in forward planning, it also presents us with potential opportunities; we must caution however that the steeply rising level in all operating costs contains ingredients for future difficulties if the market price for gold should reverse its course, unaccompanied by a similar reversal in the level of operating costs. The second source of the improved earnings is the 21% equity in the net income of our affiliate, Dome Petroleum Limited. That company benefitted from the gradual increase in the Canadian price for crude oil, gas and natural gas liquids. Its net income increased to $20,205,000 from $11,033,000 in 1972, an increase of 83%. The equity method of accounting for the investment in Dome Petroleum was adopted retroactively during the year after the $15,000,000 5% Subordinated Income Debentures of Dome Petroleum were converted under their terms into common stock. As explained in note 2 to the financial statements, the inclusion of our equity in the earnings of Dome Petroleum has increased consolidated earnings by $3,119,000 or $1.60 per share in 1973, and $1,805,000 or $0.93 per share in 1972. Your Company and its subsidiaries now hold a total of 2,319,567 shares of Dome Petroleum. These shares had a market value of $82,925,000 based on the 1973 closing bid price on the Toronto Stock Exchange.

The subsidiary companies, Campbell Red Lake Mines Limited and Sigma Mines (Quebec) Limited had satisfactory years being favourably influenced by the increased gold price and both contributed substantially to the consolidated earnings of your Company. Formerly detailed reports of these subsidiaries were bound with your Company's report, but this year summaries of their operations are included with this report; enclosed is a postal card which may be used to request copies of the 1973 Annual Reports of Campbell, Sigma and Dome Petroleum.

The working capital position of the Company on a consolidated basis increased by $10,068,757 to a total of $37,325,124. With these added financial resources we will continue our participation in the exploration of the Arctic Islands through our interest in Panarctic Oils Ltd., and support our affiliate Dome Petroleum in its expansion programs. Additionally, we intend to increase substantially our program of general mineral exploration.

It is of interest to note that from gold mine operations Dome Mines, including its two principal subsidiaries, Campbell and Sigma, paid taxes during the year of $7,083,000 under the Federal and Provincial Income Tax Acts and $2,712,000 under the Provincial Mining Tax Acts. These figures exclude substantial municipal and property taxes in the various areas in which our operations are located. The current profitability of the companies and the taxes being paid as a result thereof justifies the decision of the Federal Government to keep the gold mining industry alive, in past years, by the enactment of the Emergency Gold Mining Assistance Act. During the year no payments were received under this Act and all gold was sold on the free market.

Mineral exploration was again increased with costs pro-rated between the parent company, our principal subsidiaries Campbell and Sigma, and our affiliate Dome Petroleum. The exploration program is covered in detail on page nineteen of this report.

Higher gold prices dictate that a strong search for gold deposits be carried on concurrently with the search for other metals.

Resulting from your Company's participation in mineral exploration projects are the greatest part of our holdings in Mattagami Lake Mines Limited and Canada Tungsten Mining Corporation Limited. Mattagami holds a substantial interest in a zinc refinery at Valleyfield, Quebec operated by Canadian Electrolytic Zinc Limited and a 60% interest in Mattabi Mines Limited in the Sturgeon Lake District of Ontario. Mattagami paid dividends of $1.50 per share which resulted in revenue to Dome Mines of $600,000 in 1973.

Underground development at Canada Tungsten Mining Corporation has proven a substantial addition to ore reserves indicating a long life for the operation. A five million dollar program of underground development, preparation for mining, plant and townsite improvement is now underway. In view of these heavy capital outlays no dividends were paid during the year.

Also resulting from your Company's participation in mineral exploration projects of prior years is the property of Clinton Copper Mines Ltd. in the Eastern Townships of Quebec jointly controlled by Dome and the Sullivan Mining Group. A decline is being driven to develop the "O" ore body in which diamond drilling had indicated 284,000 tons with a grade of 2.41% copper, 1.84% zinc and 0.7 ounce of silver. The ore from development and subsequent mining will be treated at the concentrator owned by the Sullivan Mining Group located at Stratford, Quebec. This project is being financed jointly by the Sullivan Mining Group and Dome Mines, and its subsidiary companies, Campbell and Sigma.

It is obvious that the free market price of gold and the world market price of oil and gas established by the Mideastern producers impact heavily on our Company's present and future earning power. Last year in mid-February the United States Government for the second time within two years officially devalued the U.S. dollar, in terms of gold and the then existing currency parities with its major trading partners. Historically, with devaluation, new fixed parities are re-established but on this occasion the United States did not do so, but permitted its currency to continue to float freely against all others. When the initial direction of this float continued in a downward course from the apparent amount of the official devaluation, it created a crisis of confidence in paper currencies and it appeared to many that gold was once again the ultimate store of value. In this atmosphere the price of gold, which had opened the year at the $65 per ounce level, rose rapidly in June to over $126 per ounce. Concurrently, the Arab world noting that the dollars it was receiving for oil had less buying power, and sensing that the balance of power in the supply of oil had passed to them, took the occasion to triple the price of crude oil. These events, plus the Israeli War, touched off a second stage of the rise in the price of gold and it moved up from a level of $112 per ounce at the end of 1973 to approximately $169 per ounce where it is at this writing. If the Arab policy of escalation of crude oil pricing is not modified, there will be a readjustment of such magnitude in the holdings of the world's monetary reserves in their favor to the detriment of Europe, Japan, and the United States, as to make any forecast about orderly international monetary relationships and hence the price of gold all but impossible. An interesting idea has recently been advanced by a prominent United States Economist – simply stated it is, that the overhang of non-convertible dollars in the hands of European central banks, created by the U.S. Balance of Payments deficits for a decade, might now be eliminated by making the surplus dollars exchangeable for gold or SDRs marked up to the free market price of gold. This intriguing concept will probably have to wait until it is learned just how the Arab nations' rapidly growing monetary reserves are recycled into the world monetary system, and how soon the Western world can develop alternate sources of energy to lessen its dependence on Middle Eastern crude.

Your Directors again wish to take this opportunity to record their appreciation for the effective planning and supervision by management and staffs at the various operations and to thank all employees for their continued loyalty and untiring efforts to increase the overall efficiency of the Company's operations.

Respectfully submitted,

On behalf of the Board,

CLIFFORD W. MICHEL,
Chairman.

JAMES B. REDPATH,
President.

DOME MINE

(incorporated unde

CONSOLIDATED BALANCE

(with comparative figure

ASSETS

Current Assets:	1973	1972
Cash, including bank term deposits	$10,057,865	$ 7,101,144
Bullion on hand and in transit, at estimated net realizable value	6,419,642	3,172,674
Short term commercial paper, at cost	20,163,986	12,911,302
Marketable securities (schedule attached)	5,060,247	5,165,738
Accrued interest and sundry accounts receivable	690,266	545,955
Mining and milling supplies, at cost	2,517,388	2,256,886
Deposits and prepaid expenses	43,304	22,913
	44,952,698	31,176,612
Investments (schedule attached):		
Affiliated company (note 4)	35,098,000	31,532,000
Other	1,520,838	1,229,035
	36,618,838	32,761,035
Capital Assets:		
Buildings, machinery and equipment, substantially at cost	21,457,542	19,899,234
Less accumulated depreciation	18,264,935	17,826,585
	3,192,607	2,072,649
Mining claims and properties, at cost less amounts written off (note 5)	638,439	737,383
	3,831,046	2,810,032
	$85,402,582	$66,747,679

(See accompanying notes to

AUDITORS'

To the Shareholders of
Dome Mines Limited:

We have examined the consolidated balance sheet of Dome Mines Limited and its subsidiary companies as at December 31, 1973 and the related consolidated statements of income, earned surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

S L I M I T E D

he laws of Canada)

SHEET DECEMBER 31, 1973

t December 31, 1972)

LIABILITIES

	1973	1972
Current Liabilities:		
Salaries and wages payable	$ 669,561	$ 544,548
Accounts payable	756,782	655,510
Accrued charges	341,657	198,239
Accrued taxes (note 6)	3,811,650	1,279,274
Dividends payable	2,047,924	1,242,674
	7,627,574	3,920,245
Deferred income taxes (note 6)	333,000	142,000
Minority interest in subsidiary companies	10,489,710	7,441,966
Capital and Surplus:		
Capital –		
Authorized:		
2,000,000 shares of no nominal or par value		
Issued:		
1,946,668 shares	7,000,000	7,000,000
Paid-in surplus	3,606,389	3,606,389
Earned surplus	56,345,909	44,637,079
	66,952,298	55,243,468
	$85,402,582	$66,747,679

On behalf of the Board:

J. B. REDPATH, Director.

F. M. FELL, Director.

onsolidated financial statements)

REPORT

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles which, except for the adoption of an amortization policy for mining claims and properties as referred to in note 1, have been applied on a basis consistent with that of the preceding year after giving retroactive effect to the adoption of the equity method of accounting for the investment in an affiliated company as referred to in notes 1 and 4.

Toronto, Canada,
January 25, 1974.

CLARKSON, GORDON & CO.,
Chartered Accountants

Dome Mines Limited

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1973

(with comparative figures for the year 1972)

	1973	1972
Revenue:		
Bullion	$43,508,128	$25,513,842
Expenditures:		
Development	2,862,069*	2,118,860*
Mining	10,766,199	8,903,598
Milling	3,585,596	2,907,975
Refining and marketing	232,575	157,540
General and administrative	1,508,937	1,261,402
Taxes other than income	216,914	171,908
	19,172,290	15,521,283
	24,335,838	9,992,559
Deduct:		
Provision for depreciation and amortization	696,646	443,403
Provision for tax under Provincial Mining Tax Acts	2,712,000	983,500
	3,408,646	1,426,903
Operating profit	20,927,192	8,565,656
Add other income:		
Dividends	776,101	736,853
Interest on Dome Petroleum Limited income debentures (note 4)	314,127	750,000
Other interest, etc.	1,904,948	1,191,552
	23,922,368	11,244,061
Deduct outside exploration expenditures	1,147,181	937,365
Income before provision for income taxes and other items	22,775,187	10,306,696
Provision for income taxes (note 6)		
Current	6,892,000	2,710,500
Deferred	191,000	44,000
	7,083,000	2,754,500
	15,692,187	7,552,196
Add (deduct):		
Equity in earnings of affiliated company (note 4)	3,566,000	1,805,000
Minority interest in net income of subsidiary companies	(4,532,022)	(2,270,910)
Income before extraordinary item	14,726,165	7,086,286
Extraordinary item — reduction in income taxes resulting from carry forward of prior years' write-offs (net of minority interest of $79,443)		184,943
Net income for the year	$14,726,165	$ 7,271,229
Per Share:		
Income before extraordinary item	$7.56	$3.64
Net income for the year	$7.56	$3.74

* Includes shaft sinking expenditures of subsidiaries: 1973 - $430,205; 1972 - $278,276.

(See accompanying notes to consolidated financial statements)

Dome Mines Limited

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1973

(with comparative figures for the year 1972)

	1973	1972
Source of working capital:		
Operations —		
Income before extraordinary item	$14,726,165	$ 7,086,286
Items not affecting working capital:		
Depreciation and amortization	696,646	443,403
Increase in deferred income taxes	191,000	44,000
Equity in undistributed earnings of affiliated company (note 4)	(3,566,000)	(1,805,000)
Minority interest in income of subsidiaries less dividends paid	3,047,744	1,185,786
	15,095,555	6,954,475
Extraordinary item — reduction in income taxes		232,500
Total	15,095,555	7,186,975
Disposition of working capital:		
Dividends	3,017,335	1,946,668
Expenditures on capital assets (net)	1,717,660	822,001
Increase (decrease) in other investments	291,803	(8,891)
Total	5,026,798	2,759,778
Net increase in working capital for the year	$10,068,757	$ 4,427,197
Changes in components of working capital:		
Increase (decrease) in current assets —		
Cash	$ 2,956,721	$ 2,990,250
Bullion	3,246,968	1,575,915
Short term commercial paper	7,252,684	438,090
Marketable securities	(105,491)	1,178,150
Accrued interest and sundry accounts receivable	144,311	(577,615)
Mining and milling supplies	260,502	79,305
Deposits and prepaid expenses	20,391	1,790
	13,776,086	5,685,885
Increase (decrease) in current liabilities —		
Salaries and wages payable	125,013	44,892
Accounts payable	101,272	70,600
Accrued charges	143,418	(70,533)
Accrued taxes	2,532,376	592,393
Dividends payable	805,250	621,336
	3,707,329	1,258,688
Net increase in working capital for the year	10,068,757	4,427,197
Working capital, beginning of the year	27,256,367	22,829,170
Working capital, end of the year	$37,325,124	$27,256,367

(See accompanying notes to consolidated financial statements)

Dome Mines Limited

CONSOLIDATED SCHEDULE OF MARKETABLE SECURITIES AND INVESTMENTS
DECEMBER 31, 1973

(with comparative figures for the year 1972)

	Par value or number of shares	Book value (note 1) 1973	1972
Marketable Securities:			
Government and government guaranteed short-term securites ($1,546,000 par value in 1972)	$1,439,500	$ 1,440,910	$ 1,546,401
Corporate bonds	$1,600,000	1,596,250	1,596,250
Cities Service Company, common shares	80,000	2,023,087	2,023,087
Quoted market value of above marketable securities, $7,724,000 in 1973; ($6,833,000 in 1972)		$ 5,060,247	$ 5,165,738
Dome Petroleum Limited (affiliated company):			
Shares (1,785,000 in 1972)	2,319,567	$35,098,000	$16,532,000
5% subordinated income debenture, converted to shares in 1973 ($15,000,000 par value in 1972)			15,000,000
Quoted market value of above investment in Dome Petroleum $82,925,000 in 1973; $100,167,000 in 1972 (value of debentures in 1972 assumed to be market value of the shares that would have been received if the debentures had been converted)		$35,098,000	$31,532,000
Other Investments:			
With a quoted market value –			
Canada Tungsten Mining Corporation Limited:			
Shares (838,000 shares in 1972)	861,200	$ 326,861	$ 266,367
Mattagami Lake Mines Limited –			
Shares	400,000	806,225	806,225
Quoted market value of other investments $14,715,000 in 1973; ($16,182,700 in 1972)		1,133,086	1,072,592
With no quoted market value –			
Panarctic Oils Ltd., common shares, no par value	476,302	256,654	
Local school and municipal debentures ($15,000 par value in 1972)	$ 7,500	7,453	14,907
Sundry		123,645	141,536
		$ 1,520,838	$ 1,229,035

(See accompanying notes to consolidated financial statements)

Dome Mines Limited

CONSOLIDATED STATEMENT OF EARNED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1973
(with comparative figures for the year 1972)

	1973	1972
Balance, beginning of the year		
As previously reported	$31,311,622	$27,792,061
Adjustment for equity in affiliated company (note 4)	13,325,457	11,520,457
As restated	44,637,079	39,312,518
Add net income for the year	14,726,165	7,271,229
	59,363,244	46,583,747
Deduct dividends declared of $1.55 per share (1972-$1.00 per share)	3,017,335	1,946,668
Balance, end of the year	$56,345,909	$44,637,079

(See accompanying notes to consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1973

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the wholly-owned subsidiary, Dome Exploration (Canada) Limited and the two partially-owned subsidiaries, Campbell Red Lake Mines Limited (57% owned) and Sigma Mines (Quebec) Limited (63% owned).

Bullion on hand and in transit

Consistent with industry practice, the company has recorded as bullion revenue the estimated net realizable value of unsold bullion produced prior to the year-end.

Investments

Marketable securities are carried at cost.

The investment in Dome Petroleum Limited (see note 4) is accounted for using the equity method. Accordingly, the carrying value of this investment reflects the companies' share of undistributed earnings since acquisition and the income statement reflects the companies' equity in the earnings of Dome Petroleum Limited for the year.

Other investments are carried at cost except for (a) shares acquired as a result of development work which are carried at nominal value (the only exception being with respect to shares of Panarctic Oils Ltd., acquired for development work which, because of underlying worth as indicated by the valuations placed on recent changes in ownership have, since January 1, 1973, been carried at the amount expended since that date with deferred income taxes arising as a result of writing these expenditures off for income taxes purposes included as a deferred credit) and (b) certain other investments which are carried at cost less amounts written off.

Depreciation and amortization

Depreciation on buildings, machinery and equipment has been provided as in prior years at the rate of 15% per annum on the straight-line method. Effective January 1, 1973 the company commenced to amortize the amounts still carried on the books for mining claims and properties (using the same 15% straight-line rate as is employed to amortize buildings, machinery and equipment).

Mine development and exploration expenditures

All mine development and exploration expenditures (including shaft sinking) are charged against income as incurred.

2. EFFECT OF CHANGES IN ACCOUNTING POLICIES

The net effect of the changes in accounting for the investment in Dome Petroleum (before adjustment of the equity in Dome Petroleum Limited earnings that would result from the adoption of deferred income tax accounting related to deferred

exploration and drilling expenditures) and the amortization of mining claims and properties has been to increase (reduce) earnings for the periods noted by the following amounts:

	Year ended December 31, 1973		Year ended December 31, 1972 (after restatement to reflect retroactive adoption of equity basis of accounting)	
	Amount	Per share	Amount	Per share
Increase in net income resulting from retroactive adoption of equity basis of accounting for shares of Dome Petroleum Limited (after taking into account minority interest and reduction in interest from income debentures)	$3,118,973	$1.60	$1,805,000	$ .93
Reduction in net income resulting from amortization of mining claims and properties	(90,500)	.04		
	$3,028,473	$1.56	$1,805,000	$ .93

3. SUMMARIZED FINANCIAL INFORMATION

	Dome Mines Limited(*)		Campbell Red Lake Mines Limited		Sigma Mines (Quebec) Limited	
	1973	**1972**	**1973**	**1972**	**1973**	**1972**
			(in thousands)			
Current assets	$21,293	$15,955	$18,752	$12,452	$ 5,694	$ 3,381
Other assets	48,727	40,780	4,905	3,813	1,331	1,313
	$70,020	$56,735	$23,657	$16,265	$ 7,025	$ 4,694
Current liabilities	$ 3,033	$ 1,491	$ 3,744	$ 2,416	$ 1,663	$ 648
Deferred income taxes	35		298	142		
Shareholders' equity	66,952	55,244	19,615	13,707	5,362	4,046
	$70,020	$56,735	$23,657	$16,265	$ 7,025	$ 4,694
Tons milled	682	630	304	303	521	520
Gold — fine ounces	149	146	196	197	78	86
Bullion revenue	$15,506	$ 8,867	$19,871	$11,596	$ 8,132	$ 5,051
Total expenses	9,554	7,501	7,403	5,284	5,624	4,162
Operating profit	5,952	1,366	12,468	6,312	2,508	889
Other income	1,954	1,893	832	633	208	152
	7,906	3,259	13,300	6,945	2,716	1,041
Outside exploration expenditures	702	583	344	273	101	82
	7,204	2,676	12,956	6,672	2,615	959
Income taxes	2,125	466	4,125	2,005	833	284
	5,079	2,210	8,831	4,667	1,782	675
Equity in earnings of —						
Subsidiaries	6,192	3,071				
Affiliate	3,455	1,805	77		34	
	14,726	7,086	8,908	4,667	1,816	675
Extraordinary item		185				127
Net income	$14,726	$ 7,271	$ 8,908	$ 4,667	$ 1,816	$ 802
Per share:						
Before extraordinary item	$7.56	$3.64	$2.23	$1.17	$1.82	$0.67
Net income	$7.56	$3.74	$2.23	$1.17	$1.82	$0.80

* Investments in subsidiaries and affiliate accounted for on the equity basis.

4. INVESTMENT IN DOME PETROLEUM LIMITED

On June 1, 1973 the company and its subsidiaries converted their interest-bearing investment in income debentures of Dome Petroleum Limited into shares of that company with the result that the consolidated holding of equity shares of Dome Petroleum (comprising shares previously held of approximately 17% plus those obtained on conversion) increased to approximately 21% of the total shares of Dome Petroleum then outstanding. Following such conversion the company retroactively adopted the equity method of accounting for the investment in shares of Dome Petroleum. The investment (principally that amount arising on the conversion of debentures) in Dome Petroleum exceeded the underlying equity in net assets of Dome Petroleum by $7,707,000 at June 1, 1973. This difference is being amortized to income (commencing June 1, 1973) over a period of years calculated by reference to Dome Petroleum's annual production in relation to estimated recoverable reserves.

The equity in net income of Dome Petroleum included in the Statement of Income was determined by reference to the consolidated ownership of Dome Petroleum's shares during each year. The companies' equity in Dome Petroleum's net income has been reduced by a provision for deferred income taxes related to tangible assets but, in accordance with oil and gas industry practice, not a provision for deferred income taxes related to deferred exploration and drilling expenditures. Had full tax allocation accounting been followed (as recommended by the Canadian Institute of Chartered Accountants) the companies' equity in the earnings of Dome Petroleum would be reduced by $963,000 ($.49 per share) in 1973 and $399,000 ($.20 per share) in 1972 and the earned surplus adjustment at January 1, 1972, would be reduced by $2,155,000.

At the request of certain Provincial Securities Commissions, the Oil and Gas Industry has formed a group to provide the Commissions with a background study with respect to the applicability of deferred income tax accounting to their industry. The Commissions have indicated that unless, as a result of this study (which is due February 28, 1974) they are satisfied with the basis for departing from such procedures, companies in the Oil and Gas Industry should be prepared to adopt full tax allocation accounting effective in 1974.

5. MINING CLAIMS AND PROPERTIES

The amounts shown for mining claims and properties are made up as follows:

		1973	1972
Dome Mines Limited —			
Mining claims and properties, at nominal value		$ 1	$ 1
Sigma Mines (Quebec) Limited —			
Mining claims and properties, at nominal value	$ 1		
Leasehold properties, at cost	20,800		
	20,801		
Less accumulated amortization	3,120	17,681	21,501
Campbell Red Lake Mines Limited —			
Mining claims and properties, acquired for 1,277,500 shares issued at	197,500		
Townsite land, at cost	128,264		
Excess of cost of Dome's investment in shares of Campbell over underlying book values at date of acquisition	404,539		
	730,303		
Less accumulated amortization	109,546	620,757	715,881
		$638,439	$737,383

6. CURRENT AND DEFFERED INCOME TAXES

Current income taxes have been calculated at the combined federal and provincial income tax rate (1973 — 51%; 1972 — 48.5%) applied to "income before income taxes and other items" after appropriate deductions for (a) depletion allowances provided for under income tax regulations at the greater of 40% of mining income or $4 per ounce of gold produced (1973 — $7,682,509; 1972 — $3,314,362) (b) exempt income (principally dividends and income bond interest from Canadian Corporations) (1973 — $934,686; 1972 — $1,240,203) and (c) net timing differences (1973 — $647,535; 1972 — $142,374).

Deferred income taxes have been calculated by applying the combined federal and provincial income tax rate (reduced by the depletion allowance) to the timing differences, principally depreciation claimed for income tax purposes in excess of depreciation recorded in the accounts.

7. DIRECTORS AND OFFICERS

The aggregate remuneration of the directors and officers of Dome Mines Limited as defined in Section 122.2 of the Canada Corporations Act was as follows:

To the nine directors, as directors	$ 17,700
To the nine officers (four of whom are also directors), as officers	$155,200*

* includes $35,700 received by the officers from the wholly and partially-owned subsidiaries.

REPORT OF THE MANAGER

of

Dome Mines Limited

on

OPERATIONS AT SOUTH PORCUPINE, ONTARIO

To the Chairman of the Board, President, Vice-President and Directors:

I submit for your consideration this report on the operations of the Dome Mine at South Porcupine, Ontario, for the year 1973.

During the year 682,200 tons of ore were treated in the mill. In the course of mining operations 10,400 tons of waste rock were excavated, most of which was used as backfill.

The 682,200 tons of ore milled yielded 148,512 ounces of gold, the yield being 0.218 ounces or 4.35 dwt. per ton.

All grades of ore will be expressed in pennyweights (dwt.) throughout this report. One pennyweight equals one-twentieth (1/20th) of an ounce Troy weight. All production was sold on the free market. The average price received for gold sold in 1973 was $97.32 (Canadian) per ounce. This compares with average revenue per ounce of $58.06 received in 1972.

COSTS:

The expenditure on development was $874,003 or $1.28 per ton as compared with $747,050 or $1.19 per ton milled in 1972.

The expenditure on mining was $5,661,103 or $8.30 per ton as compared with $4,878,227 or $7.74 per ton milled in 1972.

The total operating charges for the year were $8,678,968 or $12.72 per ton as compared with $7,374,737 or $11.71 per ton milled in 1972.

DEVELOPMENT:

SUMMARY OF DEVELOPMENT FOOTAGE BY LEVELS FOR THE YEAR 1973

Level	Drifts	Crosscuts	Drift and Crosscut Slab	Raises	Boxholes	Raise and Boxhole Slab	Totals	Diamond Drilling (Exploration & Direction of Mining)
6th	16	64	35		25	10	150	3,157
7th			5	192		13	210	2,494
8th		16		585		129	730	3,955
9th		10	13	147		42	212	3,578
10th				79		19	98	3,226
11th				63		7	70	4,450
12th	256		44	67	34	42	443	2,416
13th	239	159	43	66	247	136	890	4,634
14th								1,914
15th	114		29	342	17	67	569	4,406
16th	304	36	38	154	8	10	550	2,847
17th	243	38	71	340	17	63	772	8,397
18th	371	70	244	417	35	104	1,241	4,307
19th				165		4	169	501
20th								3,409
21st						2	2	1,726
22nd								1,378
23rd								393
24th	53	21	74	147	194	59	548	8,302
25th	268	23	50	110	71	170	692	3,504
26th	37	406	24				467	4,360
27th	677		12				689	5,307
28th								
29th								1,015
TOTALS	2,578	843	682	2,874	648	877	8,502	79,676

Development work amounted to 8,502 feet which compares with 9,545 feet in the previous year. Since No. 7 shaft, closed in 1971, remained closed, there was no development below the 29th level. The total of 79,676 feet of diamond drilling compares with the total of 60,032 feet in 1972.

MINING:

The 682,200 tons ore milled during the year were produced as follows:

	Tons	Average Grade Dwt. per Ton
From stopes	649,000	4.58
From development	33,200	2.27
	682,200	4.47

The following tabulation is presented to indicate the sections of the mine from which the ore came:

Source of Ore	Tons	Average Grade Dwt. per Ton	
8th level to surface, No. 3 shaft	17,169	7.38	Dev. & Stope Ore
9th level to 16th level, No. 3 shaft	363,031	4.55	Dev. & Stope Ore
Area serviced by No. 6 internal shaft	302,000	4.21	Dev. & Stope Ore
Total Mine	682,200	4.47	Dev. & Stope Ore
Ore from Ankerite veins (included in the above)	30,510	3.91	Dev. & Stope Ore

ORE RESERVES:

Ore reserves at the close of the year were estimated at 1,691,000 tons with an average grade of 5.09 dwt. as compared with 1,590,000 tons with an average grade of 5.33 dwt. for 1972 and 1,473,000 tons with an average grade of 5.51 dwt. for 1971.

	Tons—1973	Tons—1972	Tons—1971
Unbroken ore	1,587,000	1,487,000	1,398,000
Broken ore	104,000	103,000	75,000
	1,691,000	1,590,000	1,473,000

The higher average price of gold which prevailed in 1973 has permitted the inclusion of a number of tons from lower grade zones in the year-end ore reserve calculations. After milling 682,200 tons in 1973, the reserves are 101,000 tons or 6% higher than the comparative figure for 1972. Inclusion of these lower grade zones has reduced the overall grade by 4.5% to 5.09 dwt. per ton.

MILL:

Following are the milling results:

Tons of ore treated	682,200 tons
Average tons per day worked	1,977 tons
Average grade of ore treated	4.47 dwt. per ton
Recovery	4.35 dwt. per ton
Recovery percentage	97.4%

CAPITAL EXPENDITURES:

The details of changes in plant buildings and equipment are as follows:

Additions:	
Mine equipment	$206,128
Surface building and equipment	110,523
	$316,651
Less net book value of retirements	255
Net increase	$316,396

GENERAL:

Operating results were favourably affected primarily by the increased price of gold and to a lesser extent by the restoration of full mill throughput and increased mechanization of mining. Unfavourable factors were generally increased cost of supplies and services and substantial wage increases. The operating profit at $5,951,887 compares with $1,365,431 in the previous year.

The following tabulation of Source of Ore, illustrates the various mining methods employed and the relative importance of each. Long-hole stoping provided 13% of the total tonnage in 1969 and 39% in 1973.

Source of Ore	Tonnage					% of Ore Milled				
	1973	1972	1971	1970	1969	1973	1972	1971	1970	1969
Cut-and-fill stopes	322,500	361,600	368,800	412,000	486,900	47.3	57.4	56.0	59.7	69.0
Shrinkage stopes	57,600	32,100	42,100	89,400	69,800	8.4	5.1	6.4	13.0	9.9
Long-hole stopes	268,900	199,900	194,800	150,700	92,900	39.4	31.7	29.6	21.8	13.2
Development ore	33,200	36,200	52,300	38,300	55,900	4.9	5.8	8.0	5.5	7.9
Totals	682,200	629,800	658,000	690,400	705,500	100.0	100.0	100.0	100.0	100.0

In common with the Mining Industry throughout Canada we have contended with a severe shortage of manpower throughout the year. Partially supported by the Federal and Provincial governments, the training of miners continued for the seventh consecutive year; however this training has been seriously restricted by the absence of suitable trainees in sufficient numbers.

Of the development work accomplished during the year 44% was stope development and extension of known ore zones. The remaining 56% was directed toward exploration of possible ore zones, previously indicated by diamond drilling and amounted to more than double the footage of similar work in the previous year.

Improved efficiency of mining due to mechanization increased tonnage to a point where mill throughput reached capacity. This increase and an improvement in recovery resulted in greater ounce production in spite of a lower grade of ore.

The table on the page immediately following sets out expenditures of the Company and location of suppliers and illustrates the direct and indirect effect that the mining and Mineral Industry, and Dome Mines in particular, have on the livelihood of many Canadians.

In conclusion, it gives me much pleasure to again record my sincere appreciation for the support and untiring efforts of the heads of departments and staff and the loyal service of employees. I acknowledge also the support and helpful counsel of the Chairman of the Board, the President, the Vice-President and the Directors.

Respectfully submitted,

HARRY V. PYKE,
Manager.

South Porcupine, Ontario,
February 22, 1974.

LIST OF EXPENDITURES OF THE COMPANY AT SOUTH PORCUPINE, ONTARIO AND THE LOCATION OF THE VARIOUS SUPPLIERS

Total amount of wages and salaries		$5,399,550
Income taxes		2,125,000
Other taxes (Provincial and Municipal)		743,770
Workmen's Compensation Board of Ontario Assessments		398,245
Unemployment Insurance		66,740
Cost of Canada Pension Plan, Group Life Insurance, Sick Pay, Medical Plan and other employee benefits		426,228
Total Equipment, Supplies and Services:		
Mine Equipment, Supplies and Services	$1,451,955	
Mill Equipment, Supplies and Services	453,451	
Electric Power	388,632	
General Surface Equipment, Supplies and Services	1,744,025	
Natural Gas Heating	46,698	4,084,761

Principal Cities and Towns in Canada which Benefit

Agincourt
Ajax
Arnprior
Atikokan

Balmertown
Beachville
Belleville
Bramalea
Brampton
Brandon
Brantford
Brockville
Burlington

Calgary
Campbellford
Cambridge
Chaput-Hughes
Clarkson
Cobalt
Cochrane
Concord
Copper Cliff
Corunna

Don Mills
Dorval
Downsview
Dryden
Dundas
Dunnville

Edmonton
Elliot Lake
Emo
Englehart
Etobicoke

Farnham
Flin Flon
Fort Erie
Fort Frances
Fredericton

Galt
Gananoque
Garson
Georgetown
Gimli
Granby
Grimsby
Guelph

Hagersville
Haileybury
Halifax
Hamilton
Hull

Ignace
Ingersoll
Iroquois Falls
Islington

Jellicoe

Kamloops
Kenora
Kirkland Lake
Kitchener

Lac Du Bonnet
Lachine
Lachute
LaSalle
LaSarre
Leaside
Lindsay
London
Long Branch

Madsen
Maitland
Malartic
Malton
Markham
Matheson
Mimico
Mississauga
Montreal
McKenzie Island

Nakina
Newcastle
Niagara Falls
Nobel
Noranda
North Bay
Notre Dame Du Nord

Oakville
Orillia
Ottawa
Owen Sound

Peterborough
Pickering
Pointe Claire
Port Credit
Port Elgin
Prescott
Prince George

Quebec

Redditt
Red Lake
Regina
Rexdale
Richmond Hill
Rouyn
Roxboro

Sainte-Foy
St. Boniface
St. Catharines
St. Jean
St. John's
St. Laurent
St. Sauveur Des Monts
St. Thomas
Sarnia
Sault Ste. Marie
Scarborough
Schumacher
Serpent Harbour
Sioux Lookout
South Porcupine
Stoney Creek
Sudbury
Sunny Brae
Swastika

Thornbury
Thornhill
Thunder Bay
Tillsonburg
Timmins
Toronto

Val d'Or
Vancouver
Victoria

Walkerville
Waterloo
Watson Lake
Weston
Whitby
Willowdale
Winnipeg

Number of Communities, Companies and Individuals through whom Supplies and Services are purchased

	Communities	Companies and Individuals
Alberta	2	7
British Columbia	5	16
Manitoba	6	23
New Brunswick	2	3
Newfoundland	1	1
Nova Scotia	2	3
Ontario	99	421
Quebec	22	66
Saskatchewan	1	3
Yukon Territory	1	3
Great Britain	3	3
United States of America	17	19
	161	568

SUMMARY OF OPERATIONS OF SUBSIDIARY COMPANIES

SIGMA MINES (QUEBEC) LIMITED

This company is 63% owned by Dome Mines.

Net Income for 1973 was $1,815,877 or $1.82 per share of Sigma compared with $801,929 or $0.80 (after extraordinary item) per share during the preceding year.

Ounces of gold produced amounted to 78,203 from the treatment of 521,006 tons of ore. Comparable statistics for the previous year were 85,614 ounces from the treatment of 519,553 tons of ore.

The higher gold price accounted for the increased profitability in spite of a 32% increase in operating costs.

Ore reserves as at December 31st, 1973 were estimated at 1,241,690 tons of ore in place showing a grade of 4.40 dwt. This compares with the previous year's estimate of 1,222,850 tons showing a grade of 4.44 dwt.

CAMPBELL RED LAKE MINES LIMITED

This company is 57% owned by Dome Mines.

Net income for 1973 was $8,908,451 or $2.23 per share of Campbell compared with $4,667,344 or $1.17 per share during the preceding year.

Ounces of gold produced amounted to 196,190 from the treatment of 303,796 tons of ore. Comparable statistics for the previous year were 196,855 ounces from the treatment of 302,666 tons of ore.

The higher gold price accounted for the increased profitability in spite of a 25% increase in operating costs.

Ore reserves as at December 31st, 1973 were estimated at 1,374,200 tons of ore in place showing a grade of 13.99 dwt. This compares with the previous year's estimate of 1,317,300 tons showing a grade of 13.96 dwt.

The installation of an electrostatic precipitator and bag filter to treat the roaster effluent, and a carbon circuit to treat the precipitator dust to reclaim gold is almost complete at year-end.

Dome Exploration (Canada) Limited

(Incorporated under the laws of Canada)

REPORT OF THE VICE-PRESIDENT

Toronto, Ontario,
February 18, 1974.

To the Chairman of the Board and Directors of
Dome Mines Limited:

The following report outlines very briefly some of the major exploration projects undertaken by Dome Exploration (Canada) Limited during 1973. Unless otherwise noted, each of these programs is shared on the following basis:

Dome Mines Limited	40%
Dome Petroleum Limited	33%
Campbell Red Lake Mines Limited	21%
Sigma Mines (Quebec) Limited	6%

In the case of joint ventures with outside partners, the term "Dome Group" followed by a percentage figure indicates the amount of collective participation of the above companies.

The 1973 exploration program, Dome's largest to date, involved forty-three major projects, all of which were managed and financed by your Group. In addition, your Group participated in seventeen exploration ventures with others.

The above program included twenty new projects and twenty-three projects which were carried over from 1972. Many of the 1973 projects will be continued in 1974.

During 1973, on projects managed and financed solely by your Group, 123 exploration diamond drill holes were completed, 721 claims were staked, 159 claims were optioned and ground geophysical surveys were carried out over 619 miles of picket lines. One airborne geophysical survey program was completed in Manitoba for a total of 540 line-miles.

QUEBEC:

During 1973, your Group carried out detailed exploration on eleven major projects which involved 363 line-miles of ground geophysical surveys and 49 drill holes.

In addition, your Group carried out exploration programs based on three separate airborne geophysical surveys released by the Quebec Department of Natural Resources. One of these programs, now completed, involved 16 drill holes. Exploration on the other two projects will continue in 1974.

On the property of Clinton Copper Mines Ltd. (Dome Group, excluding Dome Petroleum Limited, approximately 39%) a decline was started to prepare the "O" zone for mining. Ore from this deposit, which has drill-indicated reserves of 284,000 tons grading 2.41% copper, 1.84% zinc and 0.7 oz/ton silver, will be concentrated at the plant of the Sullivan Mining Group at Stratford, Quebec.

ONTARIO:

During 1973, your Group carried out drilling programs involving 48 drill holes on five airborne geophysical projects. Further drilling on two of these will be carried out in 1974.

Your Group started a program involving staking and geophysics on two large claim groups in a heavily drift-covered rhyolite belt. This will lead to an intensive drilling program in 1974.

During 1973, your Group optioned three gold prospects, one of which was a former producer. On one of these a drilling program involving seven holes was completed during 1973 and drilling will be carried out on the other two during 1974.

A prospecting program carried out by your Group resulted in the discovery, in 1973, of a zone of copper mineralization which will be explored in detail in 1974.

Your Group participated in two joint-venture programs in Ontario during 1973. One of these (Dome Group, 50%) involved regional geochemical sampling. The other, (Dome Group, 33⅓%), consisted of a deep overburden geochemical sampling program in the Abitibi volcanic belt.

MANITOBA:

Your Group has acquired the equivalent of 342 claims in Manitoba. These claims are centered around a gold prospect which will be explored in greater detail in 1974.

WESTERN CANADA:

During 1973, your Group participated in nine joint ventures in British Columbia, three of which are major continuing programs. On one of these (Dome Group, 50%) a program of 16 drill holes resulted in the discovery of sub-economic mineralization in a porphyry setting. On the other two, (Dome Group, 45% and Dome Group, 33-⅓%), properties were acquired which will be drilled in 1974.

Of the other joint ventures, three will continue in 1974.

ALASKA:

Your Group, during 1973, participated with outside partners (Dome Group, 33-⅓%) in a continuing regional exploration program in Alaska. This resulted in various specific projects which will be explored in more detail in 1974.

Dome Mines Limited has a 33-⅓% interest in a helicopter-supported regional prospecting program in Alaska. This is the continuation of a venture in which Dome Mines Limited has participated for many years. Three specific projects resulting from this program will be explored in detail in 1974.

GENERAL:

Your Group (Dome Group, approximately 4%) continued its participation in an international consortium to investigate methods of mining metal-bearing nodules from the deep-ocean floor. This program will continue in 1974.

Your Group participated in prospecting ventures in various parts of Canada.

In addition to the above, 183 routine proposals were considered by your Group.

Yours faithfully,

G. S. W. Bruce,
Vice-President.

FIVE YEAR CONSOLIDATED REVIEW

	1973	1972	1971	1970	1969
Production:					
Tons milled/fine ounces (in thousands) –					
Dome Mines Limited	682/149	630/146	658/170	690/181	706/180
Campbell Red Lake Mines Limited	304/196	303/197	303/196	262/179	262/177
Sigma Mines (Quebec) Limited	521/78	520/86	510/90	511/89	491/85
Recovery value per ton –					
Dome Mines Limited	$22.73	$14.08	$ 9.18	$ 9.65	$ 9.71
Campbell Red Lake Mines Limited	$65.41	$38.31	$27.21	$25.87	$29.58
Sigma Mines (Quebec) Limited	$15.61	$ 9.72	$ 6.48	$ 6.44	$ 6.58
Number of employees at year end	1,369	1,354	1,409	1,496	1,571
Financial (in thousands; except per share)*:					
Bullion revenue	$43,508	$25,514	$17,589	$16,732	$17,821
Operating expenses	22,581	16,948	15,933	15,748	15,507
Deduct emergency gold mining assistance			2,278	2,402	2,488
	22,581	16,948	13,655	13,346	13,019
Operating profit	20,927	8,566	3,934	3,386	4,802
Interest income from affiliate	314	750	750	750	750
Other income	2,681	1,928	2,024	2,172	1,796
	23,922	11,244	6,708	6,308	7,348
Deduct outside exploration expenditures	1,147	937	749	1,071	738
	22,775	10,307	5,959	5,237	6,610
Provision for income taxes	7,083	2,755	1,248	1,115	1,431
	15,692	7,552	4,711	4,122	5,179
Equity in earnings of affiliate	3,566	1,805	1,445	1,181	1,322
Deduct minority interest	(4,532)	(2,271)	(1,260)	(939)	(1,378)
Income before extraordinary item	14,726	7,086	4,896	4,364	5,123
Extraordinary items		185	73	365	
Net income	$14,726	$ 7,271	$ 4,969	$ 4,729	$ 5,123
Dividends declared	$ 3,017	$ 1,947	$ 1,557	$ 1,557	$ 1,557
Per share:					
Income before extraordinary item	$7.56	$3.64	$2.51	$2.24	$2.63
Net income for the year	$7.56	$3.74	$2.55	$2.43	$2.63
Dividends	$1.55	$1.00	$0.80	$0.80	$0.80
Working capital at year end	$37,325	$27,256	$22,829	$20,975	$19,472
Total shareholders' equity at year end	$66,952	$55,243	$48,400	$44,961	$42,013
Total assets at year end	$85,403	$66,748	$57,369	$53,239	$50,359
Number of shareholders at year end	6,206	5,673	5,856	6,092	6,063

* Restated to reflect the adoption of the equity method of accounting for the companies' investment in Dome Petroleum Limited. The equity in Dome Petroleum Limited income is after making a provision for deferred income taxes related to tangible assets but not a provision for deferred income taxes related to deferred exploration and drilling expenses (see note 4 to financial statements).

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